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SUMMARY RECORD OF THE 2nd MEETING

Held at the Vienna International Centre, Vienna,
on Monday, 9 May 1994, at 3 p.m.

President: Mr. EL HUSSEIN (Sudan)

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ANNUAL REPORT OF THE DIRECTOR-GENERAL FOR 1993 ON THE ACTIVITIES OF THE ORGANIZATION (continued) (IDB.12/2; IDB.12/CRP.2)

UNIDO TECHNICAL COOPERATION ACTIVITIES IN 1993 (continued) (IDB.12/8; IDB.12/CRP.1)

FUTURE POLICY FRAMEWORK OF UNIDO - ORGANIZATIONAL AND STAFF STRUCTURE (continued) (IDB.12/5; IDB.12/CRP.4)

OPERATIONAL ACTIVITIES FOR DEVELOPMENT (continued) (IDB.12/9)

3. The PRESIDENT said that a request had been received for a representative of the staff to be permitted to present the staff's views, and the Bureau had recommended that the presentation should be made as early as possible in the debate under agenda item 9 ("Future policy framework of UNIDO - organizational and staff structure"). Accordingly, in compliance with General Conference resolution GC.4/Res.29 and after consultation with the Director-General, he invited the President of the Staff Union to make a statement.

4. Mr. LILLIE (President of the UNIDO Staff Union) said that, following the reorganization and staff reductions, it might be useful to survey past achievements and look towards the future, with reference to the criteria of relevance, cost-effectiveness, efficiency and sustainability.

5. As the Organization went through its process of revitalization, it must be seen to be propagating models of industrial development that were relevant in a period of major political and socio-economic change. In that connection, the United Nations Charter itself clearly underscored the need to give a social dimension to the international economy. In a world of growing

The meeting was called to order at 3.20 p.m.

ORGANIZATION OF WORK

1. The PRESIDENT said that the Bureau had recommended the establishment of informal in-session consultations to facilitate the drafting of decisions. Experience had shown that such consultations made it easier to reach consensus on draft decisions. All members of the Board were urged to participate in the consultations. The Bureau had also recommended that Mrs. Fügen Ok should chair the consultations in her capacity as a Vice-President of the Board. Draft decisions would not be discussed in consultations until the debate on the subject in the plenary was over.

2. The above recommendations were adopted.

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disparities, development efforts should not be called into question and UNIDO could have a key role to play. Economic progress and social justice were inseparably intertwined. Consequently, UNIDO had to pursue strategies that encouraged growth, employment and investment in people. Its new development objectives rightly emphasized equitable development and the development of human resources. The most precious resources of any country (or organization) were the skills and talents of its people or staff. The staff shared the vision of a new relevant UNIDO and hoped for greater sustainability, realizing that an effective and dynamic response to needs could only be assured through improved efficiency and enhanced cost-effectiveness. Those in turn derived from greater transparency, fuller accountability and closer teamwork.

6. The staff was conscious of the familiar threat of a further drop in the operational budget, following a restructuring that had demanded major sacrifices. Revenue continued to slump. With less staff than before, UNIDO did not seem to have reduced the breadth of its activities. It had not redefined its organizational tasks and critical mass was wanting in certain key areas. Staff requirements had not been fully identified. Despite the importance attached to teamwork, effective partnerships had been disrupted. Given the need to have people join in the pursuit of a common need or interest, the staff had noted the emphasis placed by the Director-General in the 1993 annual report on reducing hierarchy, decentralizing responsibility and promoting genuine partnership. For all its concern, the staff recognized the need for change and innovation, but the sole response to change could not be to reduce staff. The principle of people-centred development should apply at Headquarters. The staff wished to contribute constructively to the betterment of the Organization. Immediate prioritization of its activities was called for while economies to the detriment of staff did not contribute to a positive working environment. People must be used properly and real efficiencies achieved. Clearly time was needed and a period of organizational stability was essential to success. In that connection, he would point out that job insecurity inhibited innovation and caused people to play things safe.

7. An environment must be created where there were opportunities for the development of new skills and the acquisition of new knowledge. People should see their jobs as valuable, challenging and intrinsically rewarding, and should enjoy a sufficient degree of autonomy. Participation in a team meant regular interaction, open information-sharing and shared influence over decisions. Above all, there must be a sense of common purpose reflected in the commitment and interest of Member States and in the effectiveness and transparency of management so that staff could enter into a sense of commonality and help UNIDO fulfil its mission.

8. At the suggestion of Mrs. WIIG (Norway), the PRESIDENT said that the statement by the President of the Staff Union would be distributed to members for information.

9. Mr. CHEN Shiqu (China) said that 1993 had been a year of great historical significance for UNIDO, marking many changes, both external and internal. The economic disequilibrium in the world had not changed: in the face of economic recession most Western countries had experienced

great difficulties and their economic policies had turned inwards towards protectionism. The development of the developing countries had suffered accordingly. The flow of capital towards them had diminished or been restricted by the imposition of conditions. The creation of various regional economic groupings had introduced a further element of uncertainty. Despite a package deal struck in the General Agreement on Tariffs and Trade (GATT) negotiations, the developing countries still lived in a dangerous world economic environment and little progress had been made towards reducing economic disparities. As a result, the developing countries were counting more than ever on international economic assistance in order to link their own development to world development.

10. Since the fifth session of the General Conference, UNIDO had attempted to adjust its priorities and orientations and to develop staff policies more in line with the needs of Member States, as the annual report for 1993 (IDB.12/2) showed. The report itself was more concise and better targeted than its predecessors, and the Director-General's reforms were beginning to bear fruit. However, the financial structures of UNIDO had not really changed and the Organization still faced considerable constraints. The increase in contributions to IDF, showing that Member States were regaining confidence in the Organization, was encouraging. Genuine reforms could have a positive impact on UNIDO's future, provided they were followed through. China would support all Secretariat efforts in that direction.

11. Technical cooperation activities were of the highest importance, and it was alarming to note that the implementation rate for 1993 had dropped for the third year in succession. It was of great concern to China that the quality of technical cooperation had not improved. UNIDO's survival depended on the quality of its programmes, from which both donors and beneficiaries gained advantage. In that context, he had noted the introduction of the quality management system, which he hoped would be further developed and improved in the course of the biennium.

12. The fifth session of the General Conference had identified priorities for UNIDO's future activities. He also wished to stress the interesting results that had been obtained in investment promotion, which was essential to the industrialization of the developing countries. His own Government attached great importance to cooperation with UNIDO in that area and was planning an investment forum for south-west China in 1994.

13. The developing countries had always accorded the highest importance to economic and technical cooperation among themselves, and he was deeply concerned by the recent reduction of staff for that activity. Economic cooperation among the developing countries was one of the fields in which UNIDO could play a vital role. He therefore called upon the Director-General to further develop that activity and offered his country's full backing.

14. Finally, he asked that a report on the impact of the readjustment of staff and structures should be submitted to the Board at its next session.

15. Mr. OCHOA (Venezuela), speaking as Chairman of the Group of 77, said that its members were particularly happy with the measures taken by the Director-General with regard to the reorganization

of UNIDO and the rationalization of expenditures. They were convinced of the need to extend that rationalization to the home leave entitlements of Professional staff members. Various proposals were currently being discussed in that connection and there was a general feeling that more information was needed. He therefore requested the Director-General to provide information as soon as possible on the current practices of UNIDO, the United Nations and other organizations of the United Nations system, together with an analysis of the financial implications of the different options.

16. The members of the Group of 77 had noted with deep concern the lack of progress in the industrialization of the least developed countries and the low level of industrial development in Africa. They intended to submit draft resolutions on those issues. The Group also stressed the importance of UNIDO's contribution to the System-Wide Action Plan on Drug Abuse Control, on which it would also present a proposal for the Board's consideration.

17. Mr. BOJER (Observer for Denmark), speaking on behalf of the Nordic countries, supported the statement made by the representative of Greece at the previous meeting for the European Union. However, on behalf of the Nordic countries, he wished to take up the question of the relationship between quality and staff policy. The whole reform process might be jeopardized if attempts by Member States to intervene in personnel decisions led to results that differed from those intended by the Director-General. Member States could be consulted about staff decisions, but none should have a decisive influence on the staffing even of senior posts. If there were to be consultations about staff decisions, they should be at the initiative of the Director-General.

18. Mrs. MACHADO QUINTELLA (Brazil) said that one of the Board's tasks at the current session was to examine the Secretariat's response to the decisions and recommendations emanating from the fifth session of the General Conference. In that context, it had to be borne in mind that the world was going through a period of profound political and economic change, making a restructuring of the whole system of international organizations inevitable. UNIDO could not avoid that process and must endeavour to achieve more efficient utilization of its resources by setting itself more realistic goals. It was to be hoped that the Organization would recover the full confidence of the international community so that more resources would be available for industrial and technical cooperation programmes and projects. UNIDO must be both dynamic and flexible in order to excel in its own special field. Developing countries should be its major clients, universality and neutrality its guiding principles, and transparency its operational method.

19. Among the reasons for past failures had been lack of resources, unsatisfactory mechanisms for access to technology, the questionable quality of programmes and projects, and mismanagement. It was therefore all the more necessary to work still harder for the promotion of industrialization. In that respect, it was impossible not to establish a link between the mandate of UNIDO and the discussions by the United Nations General Assembly on the theme of an "agenda for development". Development must be a basic element in any discussion about a new international order.

20. The developing countries had repeatedly acknowledged that they themselves were basically responsible for promoting their own growth and welfare. However, the international community had perhaps an even greater responsibility in a world where crumbling ideological barriers were being replaced by increasing economic interdependence and integration. The renewal of the dialogue between developing and developed countries should play a catalytic role in creating a transparent and equitable international system. At the same time, cooperation with and among developing countries was essential in order to provide more stability for the ongoing process of globalization. A renovated UNIDO with revitalized capabilities and financial resources should be at the forefront of efforts to restore the truly participatory character of an international organization dedicated not only to industrial development but to development as a whole.

21. Brazil was fully aware of the enormous challenges and difficulties involved in restructuring such an organization as UNIDO. She approved the actions taken so far and commended the Director-General for the competence and dedication he had demonstrated in carrying out a most difficult task. She felt confident that the same efforts would be applied to tackling such other issues as decentralization, further cost-reduction and greater accountability. It was clear that UNIDO was now on the right track and it was to be hoped that the present session would mark the beginning of a new dynamism in the activities of the Organization.

22. Mrs. OK (Turkey) said that, during the short period since the adoption of the new policy framework for UNIDO at the fifth session of the General Conference, the Organization had made serious efforts to transform itself to meet the new priorities. Her delegation welcomed the new approach being adopted by the Director-General; however, considerable work was needed to fulfil the requirements of the proposed organizational policies. The new simplified senior management system needed to be made more functional. The system for officers-in-charge in the absence of senior managers needed to be worked out. Although her delegation wholeheartedly supported teamwork management, it wished to caution against delays in the decision-making process.

23. Turning to cooperation between her Government and UNIDO in the past year, she said that that co-operation included an inward-oriented technical cooperation programme with Turkish industrial research institutions and enterprises, and outreach training activities organized in Turkey for developing countries. Implementation of the programme was facilitated by the services of the UNIDO Country Director (UCD) in Ankara. Under the UNIDO programme in Turkey, a number of highly specialized research centres had been set up and foundations had been laid for the introduction of national quality systems. Technoparks had been set up in several cities and a very efficient subcontract exchange unit had been established at the Istanbul Chamber of Commerce. The in-plant group training programmes organized in Turkey had been very successful and additional programmes were now being organized. Turkey's special-purpose contribution for the implementation of eight training programmes in 1993 had amounted to about \$350,000. Her delegation urged the Secretariat to make efforts to strengthen its capabilities for training, which constituted

cost-effective assistance for the least developed countries.

24. Her delegation welcomed UNIDO's country support strategies. It believed that the UCD programme should be demand-oriented and decentralized. Wherever possible, regional and subregional representation should be established. UNIDO should draw on all possible resources for financing its field representation. The UCD programme could be strengthened by increased redeployment of Headquarters staff to the field. Opportunities for the regional or subregional use of existing UCDs, particularly for developing countries, should be utilized.

25. The Turkish Government welcomed the recognition by UNIDO of the specific role played by ECDC/TCDC mechanisms in international cooperation in industrial investment and technology, and the integration of ECDC/TCDC into the Industrial Cooperation and Consultations Service within the Investment and Technology Promotion Division. Her Government was also pleased that the arrangements for setting up an IPS office in Turkey had been finalized.

26. The Turkish Government had financed a feasibility study on the establishment of an international centre for hydrogen energy technology. It was hoped that a report of UNIDO on the preparatory phase, outlining plans for the implementation of the project, would be presented to a meeting of experts as soon as possible.

27. Her delegation welcomed the proposal for a quality system for technical cooperation (see document IDB.12/8, para. 4). There was an increasing demand for ensuring the quality of technical cooperation in UNIDO projects in terms of concepts, inputs and development impact. Her delegation supported the Secretariat's plans for further action in that regard, and welcomed the adoption of a revised system for the assessment of managers and other staff and the proposal to award credit for teamwork.

28. Her delegation welcomed the efforts of the Director-General to improve the organizational and staff structure, and hoped that efficiency and productivity would improve as a result of the recent reshuffling of staff. It was also pleased that the terms of reference for organizational units of UNIDO had been finalized. Staff training was an important tool for enabling UNIDO to become a centre of excellence, and such training should be started forthwith. Efficiency, competence and technical skills should constitute the basis for new recruitment to the Organization, and those criteria should not be put aside in the interests of geographical balance. Full use should also be made of the sometimes underutilized potential of existing staff.

29. Mr. ARCILLA (Philippines) said that the year just passed was a milestone in the life of UNIDO. Having set out its new priorities, UNIDO was bravely proceeding with its programme of work. However, his delegation was struck by the large number of references in the annual report for 1993 to programmes not implemented owing to lack of funds or staff, cash-flow problems, difficulties arising from the financial situation, extreme resource constraints, and unpredictable future financial flows. In his introductory statement, the Director-General had again alluded to lack of financial resources as a major constraint in the

implementation of programmes. The reason for the unpredictability of financial flows was that many Governments were faced with their own resource constraints. That fact alone should be reason enough for UNIDO to effect savings wherever possible.

30. In the context of consideration by the Group of 77 of a draft decision prepared by the Asian Group on cost savings on home leave travel, the Chairman of the Group of 77 had requested the Secretariat to provide certain information on the home leave travel of Professional staff. It was the understanding of the Asian Group that the information requested would be provided before the Board considered a draft decision on the matter. In April 1993, his delegation had drawn the attention of the Programme and Budget Committee and the Secretariat to a finding of the External Auditor that substantial savings could be effected through rationalization of the home leave travel entitlement of Professional staff. At the November 1993 session of the Programme and Budget Committee, it had again raised the matter, but had been told that nothing had been done about it. It had requested further information and expressed the Philippine Government's wish for cost-cutting measures on home leave travel to become effective at the beginning of the current biennium so that the savings generated thereby could be channelled to the more important area of field representation, and in particular to the UCD programme. Pending receipt of the information requested, his delegation had not been in favour of approving the adjusted programme and budget for 1994-1995. However, in a spirit of cooperation and on the basis of the commitment given by the Director-General to address the issue forthwith, it had decided not to block the consensus. At the fifth session of the General Conference, his delegation had again called for action to be taken. Yet still nothing had been done.

31. There was obvious resistance on the part of the Secretariat to cutting home leave travel costs, but representatives should not continue to ignore the matter. If the Secretariat could save money on official travel, why not on home leave travel? It had been suggested that more time was needed to study the issue, but it had been under study for years, and meanwhile thousands or millions of dollars were being spent unwisely.

32. Some delegations argued that the Organization had just been through a painful restructuring exercise, and that staff should not now be subjected to a further shock. His delegation did not think that staff who had been retained would mind being denied an unwarranted extraordinary benefit. Compassion for the staff concerned was misplaced, and should rather be directed at the suffering, hungry and dispossessed around the world. The change should be effected swiftly, to shorten the pain, and to avoid a rush of home leave applications before the end of the year.

33. It was argued that the measures proposed would not save the Organization much money. A few hundred thousand dollars might not be much money to some delegations, but for a country like his own, half of whose population lived below the poverty line, it was a lot.

34. It was suggested that the proposed measures would be bad for morale. Staff members whose morale would be affected by elimination of the

current practice should probably not be in the Secretariat in the first place, for a moral issue was involved.

35. The Secretariat had advanced arguments as to why APEX fares should not be introduced and why the present 80 per cent lump-sum option should be maintained. With regard to the argument that the lump-sum option required less administrative support, it would cost more to continue the present practice than to hire more administrative help. As for the question of the difficulty of changing discounted fare bookings, periods of home leave were determined in advance and bookings could be made in advance. Of course, if the staff member was not at fault, the Organization should pay any penalty charges for a change in travel schedule.

36. It had been argued that the difference between the cost of the air fare and the lump sum was used for other expenses incurred on home leave, such as car rental and hotel expenses. Yet nowhere was it stated that such expenses were to be covered by the Organization. The argument that the proposed change would make it difficult to recruit qualified staff would hold true only if offers of employment were coupled with a promise of extra cash when potential recruits went on home leave. Lastly, it was suggested that if APEX fares were introduced staff might appeal to the Administrative Tribunal. The outcome of such appeals might be a reversion to the status quo; but they would also draw the current practices to the attention of the Administrative Tribunal and of the world.

37. His delegation's only desire in raising the matter was to promote UNIDO's interests and to enhance its image. His delegation was not seeking to deprive staff of an entitlement: it was merely appealing to their sense of commitment. He urged delegations to support his delegation's attempts to assist the management in instituting the proposed cost-cutting measures, for it was the Member States that had the final say on the matter. As for the arguments that entitlements must be harmonized within the United Nations system, there was no such thing as a system-wide arrangement. The existing arrangements differed from organization to organization. UNIDO set an example in the swift implementation of structural reform, and should also set an example in the area of home leave entitlements.

38. Mr. HELLER (Mexico) said that the current session of the Industrial Development Board, the first since the implementation of the organizational and staff reforms initiated by the Yaoundé Conference, provided an opportunity to review progress made in the reorganization of UNIDO. In a climate of economic uncertainty, UNIDO had a major responsibility to strengthen international industrial cooperation.

39. The organizational stage of the reform process was now in its final phase. Restructuring on the basis of simplified working arrangements and a sharper substantive focus would lead to greater efficiency and effectiveness in UNIDO's substantive activities. New organizational units had been formed to meet the growing need to promote the private sector, the assimilation of new technologies, to seek small and medium-sized enterprises and strategic management and innovative mechanisms for financing industrial investment.

40. In what was inevitably a transitional phase, UNIDO needed the continued political and financial support of Member States in order to ensure the success of its efforts. The reform of UNIDO coincided with fundamental changes in technical co-operation arrangements and with the continued vulnerability of the Organization's financial base, on which its technical cooperation activities and the performance of its other tasks depended. His delegation considered that the structure of the operational budget and its relationship to the regular budget should be revised to facilitate the harnessing of additional financial resources for the development of the developing countries and to promote innovative financial mechanisms for industrial modernization programmes.

41. As part of the redefining of UNIDO's objectives, particular emphasis had been placed on the efficiency of technical cooperation activities. In that connection, document IDB.12/8 referred to a proposal concerning the service management process which included guidelines defining the responsibilities and procedures applicable to the different stages of the service management process. His delegation supported the adoption of those guidelines. It was convinced that, with the measures adopted by the Secretariat to improve technical cooperation management and procedures and increase the impact of UNIDO's activities, the process of revitalization of UNIDO was moving in the right direction.

42. Mr. DNSY (Egypt), referring to the annual report of UNIDO for 1993 (IDB.12/2), said that obvious efforts had been made to implement the decisions adopted by the General Conference concerning the presentation of information. Nevertheless, more attention should be given to improving the way policies were presented and information was provided, particularly in progress reports and documents made available to meetings of the policymaking bodies. That would have a positive effect on Member States' response to UNIDO's decisions and would facilitate consultations between the Secretariat and Member States.

43. His delegation had noted how poorly the developing countries, especially the African States, were represented in the reorganized staff structure, in both senior and junior posts. That ran counter to the principle of equitable geographical distribution. In his delegation's view, many developing countries possessed candidates with the requisite qualities, and steps should be taken as soon as possible to correct the situation.

44. Regarding technical cooperation activities implemented in 1993, the statistics provided in the annual report showed a clear imbalance in project components, to the detriment of the industrial development concerns of the African countries, especially the Arab States, and particularly in the area of human resource development. More attention needed to be given to identifying national strategies and integrating them in UNIDO's future policies. In the implementation of industrial projects and programmes, efforts should be made to work in conformity with the national mechanisms in place.

45. Coordination between UNIDO and other agencies within the United Nations system as well as regional development institutions in project formulation and execution was important in order to ensure that maximum benefits were derived from available resources. His delegation appreciated the rapid

steps taken to establish a system to guarantee the quality of UNIDO's technical cooperation activities, as outlined in document IDB.12/8. UNIDO's response to the needs of developing countries should be one measure of assessing the quality of the Organization's services. With UNIDO viewed as a service organization, greater emphasis should be placed on identifying Member States' requirements in a more detailed manner. As the leading organization responsible for industrial development, UNIDO could, through ongoing dialogue with Member States, give a clearer picture of regional orientations and trends relating to those needs. Continuing consultations between donors and beneficiaries would without doubt contribute to the devising of a more precise strategy for the areas of work concerned. It was important that information should be periodically made available on progress achieved in the development of quality mechanisms. It was also important to study possible ways of strengthening field representation as a means of monitoring implementation and establishing direct communication with beneficiaries, bearing in mind the insufficient resources currently earmarked for the UCD programme, whose operation should be extended further within the Arab world, where there were currently only three UCDs.

46. Mr. MAYRHOFFER-GRUNBUHEL (Austria) said that UNIDO was to be congratulated on the reform process that had taken place. Now that the main structural changes were over, the reassignment of personnel largely completed and the staff acquainted with their new tasks, attention should be focused on making the new system workable and efficient. That task depended also on a number of psychological factors. Staff motivation, communication and cooperation were widely regarded as key factors in the successful performance of organizations in the private sector. Adequate attention to such aspects could make a positive contribution to UNIDO's future success. It was gratifying to note that both the Director-General and the staff representative had addressed those issues in their statements.

47. In order to project a favourable image of the Organization to the outside world, the use of external consultancy services could be beneficial. With regard to the modalities for the recruitment of new staff, the highest standards of professionalism and competence should be the first considerations, and his delegation wished to encourage the Director-General to take decisions on the matter with as little outside interference as possible.

48. While the streamlining of UNIDO's activities and structure and the redeployment of its forces were necessary prerequisites for the Organization's successful operation, other factors also affected UNIDO's performance. Considerable potential still remained untapped in the area of cooperation with international financial institutions, and his delegation welcomed the Director-General's initiatives to bring UNIDO into closer contact with that sector, where large funds were administered. If it concentrated on activities where it could make optimum use of its comparative advantages, the Organization would be increasingly able to compete successfully with other agencies for such funds.

49. With regard to the annual report, his delegation noted with satisfaction the emphasis placed on environment-related activities and improved coordination in that connection, both

within and outside the Organization, as well as on related staff training. All projects having an impact on the environment should contain components dealing with its protection and sustainable use. The establishment of a time-frame and specific performance indicators might be useful in measuring progress in that connection.

50. The increased emphasis placed on women in development, particularly through projects focusing on their training and skill enhancement, was commendable. Given the multiplicity of women's responsibilities, his delegation appreciated the efforts to combine their training in productive capacities with training in other, more general areas, such as literacy and health care.

51. His delegation had consistently supported the orientation of UNIDO's activities towards developing small and medium-sized private enterprises. In view of UNIDO's difficulties in reaching small and dispersed entrepreneurs at the enterprise level and even at the institutional level, a focus on the policy level could prove more appropriate. UNIDO should, in cooperation with Governments, devise industrial development strategies that not only covered priority areas for services to be provided by the Organization but that encompassed the industrial sector as a whole.

52. Regarding UNIDO's field representation, the considerable cost overrun in the UCD programme budget for the biennium 1992-1993 was a cause for concern. The steps undertaken to maintain the level of field representation, particularly the redeployment of staff from Headquarters to the field, were commendable. Such redeployment on a rotational basis could increase the overall quality of UNIDO's services, and field assignments should be made an integral part of UNIDO's curriculum.

53. Regarding the reorganization of UNIDO, given the similarity of the functions and structures of other organizations within the United Nations system, the approaches adopted by them could be of interest in the UNIDO reform process, in particular the efforts of UNDP and the United Nations Children's Fund (UNICEF) aimed at reducing the political content of meetings and the amount of documentation produced.

54. Mr. TANAKA (Japan) said that his delegation strongly supported the UNIDO structural reform plan adopted at the fifth session of the General Conference, in particular the adjustment of the top-heavy structure of the Organization through the abolition of the five posts of Deputy-Director General. That decision was the first step in the long-term process of the organizational reform of UNIDO, crucial to whose success were the issues of staff restructuring and improvement of the quality of UNIDO services. His delegation appreciated the Director-General's efforts to those ends and understood the difficulties involved. The first round of restructuring had been completed, but much still needed to be done and, despite the introduction of the quality management system, the Organization continued to function less than optimally. It was important for UNIDO to establish a clear framework of systems and procedures in order to ensure timely and effective delivery of its services, thereby contributing to the recovery of its credibility with Member States and to improving its overall image.

55. Regarding the Director-General's annual report, his delegation had noted that the total amounts of the Industrial Development Fund and trust funds had fallen for the first time in 1993, mainly as a result of the world-wide recession and the shift in United Nations resources to peace-keeping and humanitarian activities. It was important for UNIDO to maintain close contact with Governments of Member States and for information to be disseminated to donor countries. Since UNIDO's activities were not widely known in developed countries, it was essential for the private sector to recognize the Organization's expertise and technical capabilities. Sustainable industrial development could not be fully realized in the developing countries without the participation of the private sector in the developed world. Also, Governments must be made aware of the advantages that cooperation with UNIDO in the field of industrial development had over bilateral official development aid.

56. His delegation considered UNIDO field representation and services to be an important aspect of the Organization's future activities. Field representation should be reviewed and coordinated within the context of the current reform of the United Nations system as a whole. Enhancing the quality and increasing the number of UCDs were of crucial importance. Assignment to field offices on a basis of rotation should be an integral part of staff career development and promotion, and it was essential for host countries to contribute financially to the allocation of UCDs, in view of the financial crisis currently facing the Organization.

57. Mr. JAMSHIDI (Islamic Republic of Iran) said that, in spite of technological innovations and the globalization of industry, the technological gap between the developed and the developing countries was unfortunately, and inevitably, widening, and if it was to be narrowed it was imperative that industrial growth and development in the developing countries be accelerated, particularly through industrial investment. Such investment should be de-monopolized through comprehensive cooperation among all countries with potential capability in terms of manpower and natural resources. UNIDO could play an important role in achieving that cooperation if there were fundamental changes in its structure and priorities along the lines laid down in the Yaoundé Declaration. In order to accelerate the achievement of UNIDO's basic objectives, which had been reconfirmed in the Declaration, it was incumbent upon all Member States to steer the Organization's cooperation strategy towards narrowing the technological gap between nations. An effort should be made to increase global production, overall demand and purchasing power by establishing basic investments in countries capable of absorbing them and in countries which had the necessary manpower and natural resources, as well as by creating a climate in which recipient countries could make appropriate and equitable use of UNIDO's facilities and capabilities.

58. The Islamic Republic of Iran was pleased to note that UNIDO's restructuring process had reached its final stage, with the emergence of a more efficient and more reliable Organization better able to respond to the needs and ever-increasing and changing demands of Member States. It was to be hoped that the Organization would be enabled to work more effectively in implementing its constitutional mandates, particularly the

acceleration of industrial development in the developing countries.

59. The role of Governments in the industrialization process had also undergone changes; Governments had direct responsibilities with regard to the creation of favourable infrastructures and facilities for the promotion of industrialization, with the private sector playing a more active role. Governments also had to be active in matters regarding the environment, in the transport of goods across borders, and in formulating basic economic and trade criteria within a global framework. The Islamic Republic of Iran, which was passing through a post-war economic reconstruction phase, was not only rebuilding and rehabilitating industries that had been destroyed but also needed to establish and develop modern industries, as well as clean and non-polluting industries.

60. The Government of the Islamic Republic of Iran and UNIDO had agreed to establish a new form of cooperation in a memorandum of understanding signed during the Director-General's visit to Tehran in January 1994. Cooperation would take place in the following areas: formulation and presentation of environmentally-friendly industrialization programmes, including the reconstruction of polluting industries; the promotion of investment-oriented activities and policies, particularly at the regional level; the formulation of plans and projects to improve the competitiveness of industries, particularly with regard to quality guarantees and the encouragement of agricultural industries and human resource development; privatization, the development of small- and medium-scale industries, the rehabilitation of industries and the promotion of industrial exports; the implementation of technical cooperation projects in the field of environmentally sustainable industrial development; and cooperation in implementing programmes relating to the prevention of drug abuse.

61. Turning finally to regional cooperation, he said that the Islamic Republic of Iran proposed that a regional UNIDO office be established, preferably in Tehran, which could also perform the role of an Industrial Promotion Service for the States of the region.

62. Mr. JAMAL (Qatar) expressed satisfaction with the content of the annual report for 1993, but expressed the hope that in future it would be presented in a more precise and transparent fashion, with summaries of the Organization's main activities broken down according to sector and geographical region of implementation, and in a way that clearly showed how the Organization's activities compared with those of the year before.

63. He welcomed the progress UNIDO had made in project cooperation with the Arab region, especially in terms of technical cooperation programmes, but regretted that there were still gaps in technical support activities at the project and programme level. The annual report showed that the financial situation of the Organization continued to give cause for concern, and had a detrimental effect on the implementation of programmes and projects; the rate of implementation was not satisfactory, and certain elements of expenditure had been frozen. The proposals made by the representative of the Philippines regarding savings in travel costs and other items of budgetary expenditure merited attention because

they would reduce UNIDO's overall level of expenditure.

64. He expressed the hope that UNIDO's new staff structure and organizational chart, which had been the focus of so much attention within the Organization, would serve as a basis for its revitalization, especially with regard to its support for industrial development programmes in the developing countries and its ability to respond more promptly to requests made of it.

65. The past year had seen cooperation between his country and UNIDO in a number of areas. He wished to pay tribute to the Director-General for his efforts to improve the Organization's performance following the reform and restructuring programme adopted at the fifth regular session of the General Conference held in 1993 at Yaoundé, Cameroon.

66. Mr. LEE (Republic of Korea) said that the initial stage of the UNIDO restructuring exercise was complete and that a new, more efficient and leaner organizational structure was now in place. He expressed his appreciation for the Director-General's painstaking efforts to achieve budgetary savings and a reduction in staffing levels; at the same time, he commended the staff of the Secretariat for their individual and collective endeavours and for their full cooperation in meeting the challenges of the reform process. He welcomed the speed with which General Conference resolution GC.5/Res.18 had been implemented, and expressed the hope that the fine-tuning process would not be unduly prolonged so that the momentum generated could be maintained. With the future policy framework and the new staff and organizational structure in place, UNIDO's next important task was to make the new arrangements function properly and effectively so as to enable the Organization to achieve its newly defined objectives and play its further strengthened role in the promotion of industrial development in the developing countries.

67. His delegation shared the view that UNIDO's reform required not only structural changes but also changes in administration and management procedures. It was impossible to overemphasize the importance of coordination and increased teamwork, and it was the view of his delegation that closer horizontal coordination between each of the organizational units of UNIDO should be ensured in order to promote a smoother work process and increase accountability and transparency. The Director-General had taken a step in the right direction in specifying coordination requirements between interlinked units.

68. The proper placement of staff in the new organizational structure was one of the most important elements in the reform process. Existing staff members should be redeployed, taking into account their aspirations and qualifications, but there should also be gradual selective recruitment of outside qualified experts in order to obtain the expertise, experience and innovative technical know-how that were critical not only in strengthening important areas where UNIDO currently lacked adequate expertise but also in supporting the Secretariat in the new areas of UNIDO's activities. The highest standards of efficiency, competence and integrity, as well as

the principle of wide and equitable geographical representation, should apply in the recruitment of urgently needed staff. In particular, due consideration should be given to candidates from countries which were unrepresented or under-represented in the Secretariat, while at the same time taking into account their ability to contribute to the work of UNIDO.

69. He welcomed the Secretariat's intensified efforts, as requested by the Board in its decision IDB.11/Dec.8, to set up a quality management system for technical cooperation activities and to define the quality standards and methods for assessing relevance, cost-effectiveness and sustainability. Such a system required a clear statement of the Organization's quality objectives, the full support and commitment of senior management, and a system of incentives and sanctions that was essential to staff motivation and indispensable to an effective quality management system. His delegation hoped that the quality management system would be completed and fully operational as soon as possible, so as immediately to redress the dramatic decline in project effectiveness.

70. Recognizing the urgent need for UNIDO substantially to strengthen its field presence, his delegation attached great importance to its decentralization through the expansion of its field representation at the regional and sub-regional levels. Its field representation should in future involve combined activities in the promotion of investment, technology transfer and human resource development; his Government would support the establishment of regional or subregional offices of UNIDO with such combined functions, and was prepared to contribute to the realization of such a scheme.

71. He welcomed the assurance that the regular budget cash resource base was improving, but noted with concern that the difficulties associated with the regular budget cash flow and operational income had continued during 1993. He welcomed the Director-General's continued effort to enhance fund mobilization and obtain additional resources from donor countries, non-governmental organizations, industrial associations, financial institutions and public and private enterprises in parallel with cost reduction efforts. He also welcomed the Director-General's examination of possibilities for further savings and rationalization of expenditure, and shared the view that the cost reduction efforts should include, as a matter of principle, rationalization of travel expenses. He supported a request made by the Chairman of the Group of 77 for the Secretariat to provide more information on the basis of which the Board could discuss the matter at a later stage in a more efficient and constructive manner.

72. His delegation was pleased to note that, in spite of a decrease in the contribution of some major donors, the Secretariat had been able to maintain the positive upward trend in IDF, and to counterbalance the reduction of traditional resource bases through additional contributions.

73. His delegation warmly welcomed the organization of monthly briefings for heads of regional groups and briefings for individual regional groups.